

Volunteer Quality Alert 2005-09 – Adjustments

You may use this document as a job aid to guide you in assisting taxpayers who have adjustments.

What's an Adjustment?

General Rule: Adjustments are subtractions from total income. Total income minus adjustments results in **Adjusted Gross Income (AGI)**, an important number for tax purposes.

Adjustments generally covered in the Volunteer Return Preparation Program include: **Educator Expenses; Individual Retirement Arrangements; Student Loan Interest; Tuition and Fees; One-Half of Self-Employment Tax; Penalty on Early Withdrawal of Savings; and Alimony.**

Adjusted Gross Income	23	Educator expenses (see page 26)	23	
	24	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ	24	
	25	IRA deduction (see page 26)	25	
	26	Student loan interest deduction (see page 28)	26	
	27	Tuition and fees deduction (see page 29)	27	
	28	Health savings account deduction. Attach Form 8889.	28	
	29	Moving expenses. Attach Form 3903.	29	
	30	One-half of self-employment tax. Attach Schedule SE.	30	
	31	Self-employed health insurance deduction (see page 30)	31	
	32	Self-employed SEP, SIMPLE, and qualified plans.	32	
	33	Penalty on early withdrawal of savings	33	
	34a	Alimony paid to Recipient's SSN	34a	
35	Add lines 23 through 34a	35		
36	Subtract line 35 from line 22. This is your adjusted gross income	36		

Challenge: To assure the taxpayer is receiving accurate benefit of any and all Adjustments, take advantage of the intake sheet and a comprehensive interview.

It isn't simple -- By applying the following eligibility requirements, you can determine whether the taxpayers you assist are eligible for specific Adjustments.

Key Principles on Adjustments

Traditional IRA's:

Age (59 ½ and 70 ½)
Limitation; lesser of eligible compensation,
\$3,000 or \$3,500 if over 50

Student Loan Interest

Limitation of \$2,500
Filing Status and AGI limitations

Penalty on early withdrawal of savings

Form 1099-INT, Box 2

Alimony

Recipient's name and Social Security Number
Child Support is not Alimony

Educator Expenses

Eligible Educator (Kindergarten through Grade 12)
Limitation of \$250 per Eligible Educator
900 Hours worked during the school year

Tuition & Fees

Limitation of \$4,000
No double benefit – Adjustment or credit

One-half of Self-Employment Tax

Schedule SE, Line 6

For Training refresher, Volunteers can refer to:

- Publication 678, The Volunteer Assistor's Guide/Student Text, Lesson 4, Adjustments
- Publication 17, Your Federal Income Tax, Part 4 Chapters 18, 19, 20 & 21
- The VITA Hotline at 1-800-829-8482.